

DAVID AMES WELLS.

1827-1898.

REPORT OF A MEMORIAL MEETING OF THE ECONOMIC CONFERENCE OF THE JOHNS HOPKINS UNIVERSITY, NOVEMBER 22, 1898.

A special meeting of the Economic Conference was held in the Bluntschli Library on November 22, 1898, to commemorate the life and services of the late David Ames Wells, the distinguished American economist and publicist. The meeting was largely attended by the teachers and graduate students of the departments of history, economics, and politics. Dr. Sidney Sherwood, Associate Professor of Economics, presided. A signed photograph of Mr. Wells, the gift of his son, Mr. David Dwight Wells, and a collection of Mr. Wells's important writings were exhibited at the meeting.

The first speaker was PRESIDENT GILMAN, who had been asked to give his personal recollections of the distinguished economist. After referring to the significance of individual characters in the study of historical and political science, as illustrated by the numerous portraits which adorned the walls of the Seminary, he pointed to the portrait of Mr. Wells, and then endeavored by words to give color to the photograph. He spoke of the looks, manners, voice, and ways of the economist, of his long continued home in Norwich, Conn.,—an abode of culture and refinement,—of his fondness for the open air and his delight in long drives over the hills of Mohegan, and in the valleys of the Yantic and Quinebaug rivers. He spoke of his abiding interest in every thing that pertained to the prosperity of the United States, of his readiness in accumulating knowledge and of his equal readiness in sharing it with other people; of the vast stores of his information and the fertility of his suggestions. He referred briefly to a personal friendship which began in 1872, when Mr. Wells was invited to New Haven, and continued through life, his last interview having been a few weeks ago, when Mr. Wells left his sick room to receive a call from his Baltimore friend.

Dr. Gilman briefly referred to the investigations and publications which have given renown to the name of David A. Wells, and to the distinguished honors that came to him, in the United States, in England, and in France. He then dwelt upon the infelicitous working of American institutions

which exclude from public life men whose parties are not in the ascendant. Whatever might be his political affinities, a man like Wells ought always to be retained in the service of the government. His knowledge, his experience, his acumen, and his patriotism were too valuable to be hid under a bushel. Such a candle should always be upon a candlestick. The light of the writings of such a man may indeed become of world-wide significance; but the country loses the illumination which might be thrown upon perplexing questions of finance and taxation, if powers so rare were concentrated, by official responsibility, upon the questions of the day.

Mr. T. S. ADAMS, Fellow in Economics, spoke of "The Economic Contributions of David A. Wells," as follows:

Mr. Wells' contributions to economics are various. He has written upon a host of subjects ranging from the industrial condition of Mexico to the decay of our merchant marine. It would not be unjust, notwithstanding this diversity, to say that he almost invariably approached a subject from one of three standpoints, and we may group his work into three corresponding classes: contributions (1) to the tariff controversy, (2) to the monetary discussion, (3) to the subject of taxation.

The remarkable conversion of Mr. Wells to the theory of free trade is well known. It is doubtful, however, whether this was a conversion as much as a sudden realization of what he conceived to be the paternalism of protection. He was essentially a democrat—using that word in its literal sense—and it was as an advocate of liberty, personal and commercial, that he was led to renounce protection. He has been denounced as an economic anglo-maniac, but this criticism is unjust. He was an apostle of industrial freedom; he went with the English school so long as it cleaved to the doctrine of industrial liberty, but when that school departed from its cardinal doctrine, Mr. Wells abandoned the school. He adopted the English idea of free trade, but he denounced the income-tax.

The principal contributions of Mr. Wells to the tariff question are to be found in the Report of the National Revenue Commission and in the reports which he made as Special Commissioner of Internal Revenue. These reports have become integral parts of the economic history of the United States, but they are too circumstantial for description here. With the exception of these reports the most extensive treatment of the tariff question coming from his pen is to be found in the five "Essays on Tariff Questions" published in his "Practical Economics." In general, Mr. Wells' work in this line has been critical and controversial, rather than constructive. Of his occasional papers on this subject hardly too much can be said. He is the American Bastiat. I know of no happier illustration in the American literature of occasional economic writing than his "True Story of the Leaden Statuary," or his satire upon the Rev. Thos. K. Beecher's 'closed circles of exchange,' published in *The Nation*.

The most ambitious work which Mr. Wells finished is his "Recent Economic Changes," which has been used as a text-book here for several years. *Prima facie* this book seems to have been written with the purely

scientific motive of recording and explaining the industrial depressions which have swept over the western civilized world since the civil war. Incidentally it became necessary to prove beyond doubt that these depressions are not due to scarcity of money and cannot be cured by financial legislation. The rationale of the latter argument is so illustrative of Mr. Wells' habits of inductive reasoning that it will justify a short notice.

The first chapter is devoted to a precise description of the depressions which are to be accounted for. The author then proceeds to show that these depressions have been accompanied by an extraordinary multiplication of food, clothing, fuel, machinery, railroads and modes of communication. The great majority of commodities have been 'multiplied with unexampled rapidity and offered for sale at prices unprecedented for cheapness.' Such are the undisputed facts of the case; what is the explanation?

Several popular explanations, *e. g.*, over-production, falling prices, etc., are then examined and shown to be merely different presentations of the phenomenon under investigation, not the causes of the phenomenon. The number of explanations is then narrowed down to two: scarcity of money and improvement in the conditions of production. Of these, the latter is declared to be the true explanation.

With a mastery of detail and an insight into diverse industrial interests that is marvellous, Mr. Wells took up the proof *seriatim*, showing the precise changes which permit more goods to be manufactured now than formerly with the same amount of labor and capital. The phenomenon which the bimetallists claim can only be accounted for by postulating a scarcity of money, is fully explained by the march of invention. The patient investigation is Darwinian in its thoroughness. We must not look for complicated theory or long-spun deduction: the facts are the book. The theory, like the plot of a good novel, can be described in a few words, though this does not mean that keen logical insight is wanting. On the contrary, Mr. Wells demonstrates his logical power by a single chapter on Indian produce, etc., in which he goes to the heart of the currency problem. If scarcity of money is the cause of falling prices, all goods would be affected. The influence of contraction, wrote Mr. Wells, "would have been all-pervasive, synchronous, irresistible and constant as the influence of gravitation." If then there are certain classes of prices which have not been affected, and these refer to those goods whose conditions of production have not improved in the interval under consideration, it is conclusive proof that scarcity of currency is not the explanation desired. In the chapter mentioned above, such a group of prices is shown to exist.

Mr. Wells' economic career began with his paper on "Our Burden and Our Strength," which led to his appointment as Chairman of the National Revenue Commission. Taxation was thus the first economic subject with which he was occupied, and the publication of his "Principles of Taxation," still going on in *The Popular Science Monthly*, shows that this was the last subject with which his mind was busied. In the two other subjects noted, Mr. Wells appears as an advocate, a powerful pleader for the economic philosophy to which he had been converted. But in the "Principles of Taxation" he appears as the constructive scientist with an original system

of his own. When we consider the tangled confusion of the subject of finance, in connection with the abilities and opportunities which Mr. Wells possessed, we must be struck with the peculiar untimeliness of the advent of the malady which prevented the perfection, and possibly the completion, of this system of taxation. If order was not wrought from the chaos, our scientific faith is at least strengthened by Mr. Wells' trust in the existence of such an order. I know of no more hopeful note in the recent literature of economics, than that which Mr. Wells sounded with almost passionate reiteration throughout these papers, in behalf of the *science* of finance. These are strange and welcome words from one who was always practical. "Are these assumptions of economists that there is no science of taxation and no general laws regulating its exercise and effects—assumptions generally concurred in by jurists and popular sentiment—correct? If they are, then there are no principles of taxation to discuss, and a consideration of the subject must be limited mainly to a recital of the world's experiments and experiences and an exposition of legislative enactments and court decisions. To admit their correctness, furthermore, is equivalent to confessing that human knowledge, in at least one department, has reached its extreme limit and that a class of transactions which, more than almost any other, are determinate of the distribution of wealth, the forms in which industry shall be exerted and the sphere of personal liberty, are best directed by accident or caprice."

The positive system of taxation which Mr. Wells would have proposed, is suggested rather than described, in the papers already published in the *Popular Science Monthly*. Until now the treatment has been mainly historical and critical. As these papers have never been formally reviewed in this Conference, it would seem proper to note here a few of the leading principles established.

In the first place Mr. Wells has performed a public service in emphasizing a thought which prominent authorities seem striving hard to forget, viz.: that, whatever the advantages of the faculty theory of taxation, it is unrecognized in our highest courts, and inconsistent with American democracy. The faculty theory may be correct, and socialism may be the ideal towards which we should strive; but the two go together, and if one is dangerous, the other is also dangerous. We are teaching a dubious lesson when we lead a large mass of the people to expect the services of the state to be furnished gratuitously. It is a matter of congratulation to find Mr. Wells deploring, to use his own words, "the almost universal disassociation in the minds of the masses between the payment of taxes and the benefit or profitable return consequent upon such payment."

Mr. Wells has also done good work in protesting against what he calls the "Monarchical" theory of taxation, the theory that taxation is inherently evil, and that our best plan is to pluck the goose—as Colbert put it—so as to get the maximum amount of feathers with the minimum amount of squawk. This doctrine has found much recognition in our courts and has had an immense influence. Mr. Wells cites one case in which a judge decided that the evidence of a witness could not be debarred merely because he had been found guilty of perjury in making out his tax lists.

His antipathy to protective duties, income taxes, and progressive taxation in general, is too well known to require any comment. The most distinctive principle of his system relates to immaterial wealth, securities, evidences of indebtedness, etc., which he distinguishes from property as shadow from substance. Taxation, he claimed, should be upon things; not upon persons and not upon the shadows of things. In accordance with his views he offered the following definition of property, which is, I think, unique: "Property, at least for the purpose of taxation, is always a physical actuality, with inhering rights or titles, the product solely of labor, and is always measured in respect to value and for exchange by labor." Mr. Wells is thus a positive advocate of the Labor theory of value, and I may take occasion here to point out, that his money argument in the "Recent Economic Changes" is valid only on the assumption of the validity of the Labor Standard.

Remembering that he believed in the diffusion of taxation and keeping in mind the few principles which I have noted, it is easy to see the result towards which his reasoning tends. That result had been enunciated as far back as 1874. "The general conclusion," he then wrote, "to which all investigation seems to lead is, that the rational principle of taxation is to tax but comparatively few articles, namely: visible, tangible property and fixed signs of property—for in this way only can taxes be assessed equitably, uniformly and economically—and then leave them to diffuse, adjust and apportion themselves by the inflexible laws of trade and political economy."

The manner of Mr. Wells' introduction to economics is well known. His interest was first kindled by a living question: the capabilities of federal taxation. He may or may not have studied political economy at Williams, but however this may be he has always been regarded—and rightly—as a practical economist. More than any other writer, perhaps, he understood the actual industrial conditions of the country, and derived his theory from the immense mass of detail which he knew so intimately and handled with such mastery. His work is marked by a maximum quantity of proof per unit of theory; and this statement will, perhaps, sum up as briefly as is possible the predominant characteristic of his scientific style.

As a public administrator Mr. Wells was marked by unflinching courage and unfailing, enthusiastic industry; as a pamphleteer his work was characterized by unusual literary and persuasive power; as a scientific economist, he will be remembered for his encouragement and utilization of governmental statistical publications, for his exaltation of fact without depreciation of theory, for his consistent devotion to the doctrine of industrial and commercial liberty.

Mr. L. F. SCHMECKEBIER, Fellow in History, spoke of "The Public Services of David A. Wells," as follows:

Mr. Wells first came prominently into public notice in 1864, in which year he wrote an essay, entitled "Our Burden and Our Strength," on the resources and debt-paying abilities of the United States. Mr. Wells was at this time residing in Troy, New York, and the essay was first read at a

literary and social club in that city. It was at first privately printed, and was then published by the Loyal Publication Society of New York; and it became one of the most noted publications of the war period, having a circulation in excess of two hundred thousand copies, and being translated into French and German. The essay came at a time when confidence in the government was at a very low ebb. The greenback was quoted in gold at less than half its face value, and the United States bonds had sunk nearly as low. The prospect of further issues of paper and of enormous loans, and the apprehension of a crushing burden of taxation, threatened to close all sources of funds to the government and to force it into hopeless bankruptcy. It was at this crisis that Mr. Wells undertook to show why the nation's credit was still unimpaired and why the national economy was not only able to make good the losses already suffered, but also to be further drawn upon without injury.

This little work made a great impression on President Lincoln, and in January, 1865, he sent for Mr. Wells to come to Washington, to confer with him and Mr. Fessenden, the Secretary of the Treasury, as to the best means of dealing with the debt and the great mass of taxation that the burden of the war had entailed on the country. In March, 1865, Mr. Wells was appointed on the National Revenue Commission together with Stephen Colwell, of Pennsylvania, and S. S. Hayes, of Illinois, Mr. Wells being chairman. The object of the Commission was to inquire into and report on the subject of the best and most effectual way of raising by taxation such revenue as was necessary to supply the wants of the government. The Commission travelled from city to city, and in January, 1866, it presented its investigations to Congress in a valuable and voluminous report, which was subsequently made the basis of the later modifications in the customs and the excise.

For the first time a full and exact statement was made of the curious and complex system of internal and customs taxation which had grown up during the war. During the last six months we have experienced some of the inconveniences of taxation for war purposes, but it is hard to realize the extent of excise taxation at the end of the Civil War. Taxation was, as Mr. Wells said, on the Donnybrook Fair principle of "whenever you see a head hit it; whenever you see a commodity, tax it." Mr. Wells estimated that the government collected between 8 and 15 per cent. on every finished product. Diffuseness was the all-pervading evil of the system, and the Commission recommended "the abolition or speedy reduction of all taxes which tend to check development, and the retention of all those which, like the income tax, fall chiefly upon realized wealth." The report further arraigned the appointment of incapable and dishonest officials, and emphasized the futility of ever hoping for an efficient and economical administration of the system while this method continued. It also contained valuable reports on sugars, tea, coffee, cotton, spices, proprietary articles, petroleum, fermented liquors and distilled spirits as sources of revenue, with estimates of the amount of revenue which the Treasury might expect if taxation on them at various rates was continued. Congress, however, took no direct action on these recommendations; but within three years of

the close of the war the most important of them had been substantially adopted, and the most discriminating and oppressive taxes repealed.

At the next session of Congress the office of Special Commissioner of Revenue was created, and Mr. Wells was appointed to this office in recognition of his valuable services as Chairman of the National Revenue Commission. He at once applied himself with great energy to the task of reconstructing and reforming the revenue system. His first report was made in December, 1866. A great deal of valuable statistical material was presented in this report in addition to his analysis of the revenue duties. One of the most important recommendations was that the tax of two dollars a gallon on distilled spirits should be reduced to fifty cents. Not until the session of 1867-68, however, did Congress make this reduction, and the result was one of the most remarkable in all fiscal experience. The total collections rose from eighteen million dollars in the last year of the two dollar tax to forty-five million in the first year of the fifty cent tax, and fifty-five million in the second year.

In 1867 Mr. Wells drew up a bill for the revision of the tariff, which received the hearty endorsement of Secretary McCulloch. Duties on raw materials were reduced and a careful rearrangement was made all along the line. The Senate passed the bill by a vote of 27 to 10. In the House it was necessary to suspend the rules to put the bill on its passage, and the motion to do this was defeated by a vote of 106 to 64, a two-third vote being necessary.

In the same year Congress instructed the Secretary of the Treasury to present at the next session a draft of a new tariff. The task of preparing this bill was turned over to Mr. Wells, as Special Commissioner, and he visited Europe under a government commission for the purpose of studying industry in Great Britain and on the Continent. Up to this time Mr. Wells had been an ardent advocate of the policy of protection. But his investigations in Europe completely changed his views, and led Mr. Wells to an abandonment of his original position, and to his adoption of the belief that free trade, made subordinate to revenue, and tentatively entered upon, was the best policy for the country. It is characteristic of the man, that while he rejected his old protection ideas, yet he realized that free trade must be made subservient to the great fiscal demands upon the government, and also that it must proceed by a gradual process, and that the entire protection fabric could not be swept away at one blow. These views were embodied in his report for 1869, and attracted great attention, both in the United States and in Europe. One of the first acts of M. Wolowski, the French Minister of Finance, after the conclusion of the Franco-Prussian war, was to order the translation and official publication of Mr. Wells' report as Special Commissioner of Revenue for 1869.

In 1870 Mr. Wells retired from his office of Special Commissioner of Revenue. All the important revenue reforms that were adopted by Congress down to 1870 originated with Mr. Wells. These reforms included the redrafting of the entire system of internal revenue laws, the reduction and final abolition of the cotton tax and taxes on manufactures and crude petroleum; the creation of supervisory districts; and the application of

stamps for the collection of taxes on tobacco, fermented liquors, and distilled spirits. Mr. Wells also created the Bureau of Statistics, and to the head of this Bureau he called General Francis A. Walker, the assistant editor of the *Springfield Republican*.

On the retirement of Mr. Wells from the office of Special Commissioner, in July, 1870, a large number of members of both Houses of Congress united in a letter to Mr. Wells, of which the following is an extract: "The undersigned, members of the 41st Congress, who have been cognizant of your labor as Special Commissioner of Revenue, take the occasion of your retirement from public duties to express to you their appreciation of the work you have accomplished, and the great ability with which you have discharged the duties of your office. How much soever they may perhaps have differed with you touching the matter of your conclusions on particular points, they desire, nevertheless, to bear testimony to the great value of your work, and to the honesty and the faithful and untiring zeal which have characterized your whole public career." This letter was headed by such Republicans as Sumner, Blaine, Banks, and Edmunds, and such Democrats as Bayard, Thurman, and Randall.

President Garfield, then a member of the House of Representatives, on July 13, 1868, spoke as follows concerning Mr. Wells: "Into the financial chaos resulting from the war Mr. Wells threw the whole weight of a strong, clear mind, guided by an honest heart, and during the last three years he has done more, in my judgment, to bring order out of chaos than any one man in the United States. He has furnished us what we most needed—classified knowledge of the subjects of financial legislation."

Hugh McCulloch, in his autobiography, also paid the following tribute to Mr. Wells: "There are few of my official acts," he says, "that I look upon with more satisfaction than the appointment of David A. Wells to be a Revenue Commissioner. . . . All the reports which were made by Mr. Wells exhibited the most careful, painstaking and intelligent investigation. In clearness and accuracy of statement, and in logical form they have not been surpassed on either side of the Atlantic."

When it became known that Mr. Wells was to retire from his office at Washington, Governor Hoffman, of New York, offered him the chairmanship of the New York State Tax Commission which had been authorized for investigating the subject of local taxation. The other members of this commission were Edwin Dodge and George W. Cuyler. The commission made a most thorough investigation and submitted two reports, together with a code of laws relating to assessment and taxation.

The most important recommendations were that the listing system and the oath which accompanies it should not be used, because of its demoralizing influence, and that intangible personal property should be exempted from taxation, as simply a sign of existing visible property. The commission further recommended a unique experiment in American taxation in that the occupier of every building used as a dwelling or for any other purpose should be taxed, whether the occupier be owner or tenant, on a valuation of three times the rental value of the premises occupied. None of the recommendations of the commission were adopted.

In 1885 Mr. Wells made a trip to Mexico for health and recreation, and as a result there appeared in the *Popular Science Monthly* a series of articles entitled, "A Study of Mexico," which were afterwards amplified and republished in book form. In a little volume of about two hundred pages, Mr. Wells has presented, in an attractive and readable form, the social, economic and political conditions, and the general aspect of Mexico and its relations with the United States. He has done in a small way for our sister republic on the South what Mr. Bryce has done for our own country. Concerning this work, M. Romero, the Mexican minister to the United States, wrote Mr. Wells as follows: "Although I differ with you on several points, and in respect to some of your conclusions, it is surprising to me how well you have understood the condition of Mexico and its difficult problems, especially so far as its relations to the United States are concerned." Rev. George B. Hyde, one of the leading and oldest missionaries of the Methodist Episcopal Church in Mexico, spoke of the "Study" as being the only work "that has not either looked with eyes that saw a paradise or a desert."

Mr. Wells was also successful as a railroad financier and manager, being one of the receivers of the Alabama and Chattanooga Railroad, and one of the reorganizers of the New York and Erie Railroad, and a member of the board of arbitrators of the associated railways of the United States.

Such, in brief, were the main points of what we might call Mr. Wells' public work. Mr. Wells represented the noblest type of American citizenship. A scholarly, painstaking, and conscientious public official; fearless and honest, never pandering to prejudices, nor truckling to obtain the good will of others for selfish ends; dignified and self-constrained even under abuse and calumny, he presents a type of character which should be an inspiration to those who are entrusted with solving the difficult problems of the present and the future.

Brief remarks were also made by Dr. SIDNEY SHERWOOD and Dr. J. H. HOLLANDER.

J. H. H.

